

# How to Open an Office in Yuzhno-Sakhalinsk, Sakhalin Region, RFE

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Yuzhno-Sakhalinsk has had a drastic office space shortage for several years because the development of multinational oil and gas projects on the Island has led to an influx of subcontractors from over the world. For a town with a population of about 180,000 where little residential and office construction has occurred in the last decade, it is rather hard to provide everything that companies might need in terms of office facilities and even housing for personnel. This report provides a general overview of available office facilities and prices, as well as general info on availability and any related needs, from office furniture and communications to hiring personnel.

## GENERAL OVERVIEW OF FACILITIES

The office space options in Yuzhno-Sakhalinsk range from rental of a small carrel for a short period (*please see contact information for ABC at the end of this report*) to construction of your own facilities. This latter option is favorable from the point of view of meeting seismic standards (other buildings, especially those built about a decade ago and earlier, do not necessarily possess the required earthquake safety standards, and Sakhalin is an earthquake zone).

Although the first variant is not always possible due to the fact that the companies sometimes lack sufficient space for themselves and the second one is used mainly by large companies like Rosneft, Exxon, and Shell. Currently, there are not enough facilities of Western-type and standard available for rent. Additional problems with some currently available office space on the Island can include power outages during winter due to the problems existing in the local power supply system. Prices for both office space and apartment rental are at the level of megapolis – but the quality is not always comparable.



*The new hotel built by Korean company in Yuzhno-Sakhalinsk*

Prices of available office space can range from \$15 per square meter per month to \$100; the average price per square meter per month paid at the moment at the major office facilities, such as Sakhincenter and Michinoku building, is about \$50 per square meter per month. Several new office buildings were constructed during the past few years but they still cannot cover the existing demand. The market for hotel rooms has stabilized though (from a very difficult situation several years ago to almost oversaturation) and there is a possibility to also rent office space at the ground floor of some hotels.

SAKHINCENTER-I, the first international business complex in the region, is located on the central street of Yuzhno-Sakhalinsk and currently houses many foreign companies and regional administration departments. Total area of the building is about 8,000 square meters. Availability of offices is rare as the location is very popular, but the office service department keeps a “waiting list” - at this moment, *the waiting list for Sakhincenter-I is 3 years, for Sakhincenter-II – 2 years*, according to Interoffice, the managing department of Sakhincenter.



*Sakhincenter-1 Building, Yuzhno-Sakhalinsk*

SAKHINCENTER -II, the construction of which was finished about a year ago, is a smaller office complex, located within walking distance from Sakhincenter-I. The Sakhincenter building can offer conference room services, a concert and an exhibition hall. An American-style café and a bar are available, as well as guarded parking on paid basis. Visitors have free access to the building during daytime.

MICHINOKU SAKHALIN BUILDING opened officially in May 1999. The facility was built by the Michinoku Bank (Japan), which has been active in the region for several years. The building is in the center of Yuzhno-Sakhalinsk, near the central Lenin square, across from the Sakhalin-Sapporo hotel. Currently, the building hosts the Japanese consulate, the Bureau of Japanese TV company NHK, and representative offices of Mitsui and BP companies. The facility was built according to Japanese standards, and has its own power generator, water and heating system, a café for its residents, and a guarded parking lot. *Free space is usually unavailable*. The building is well-guarded, and access for visitors is only by prior appointment.

KRAFT, a Russian rental company, operates an office building that is far from the center in comparison with other facilities, but is considered to be of good quality by local standards. The facility was built in 1995, and repairs are done every year. Water is supplied from a separate well. Also available - security, cafeteria, and a parking lot. *Need to call to check for availability*.



*Michinoku Building, Yuzhno-Sakhalinsk*

GRAZHDANPROJEKT BUILDING. The former State Design Institution is offering part of its facilities for rent. It is a rather good location (just across the street from Sakhincenter) and rental price is low, but the quality of offices is rather “Soviet-style.” Security in the building is available, but no parking lot. Power supply is regular since the building is on the same power supply line with the regional administration building. The building has different types of space for rent – semi-basement and basement facilities are also available. *No free space available at the moment*.

When looking for office space, you can also refer to the local *real estate agencies* that have experience in that sphere – they may offer an option of renting an office in a residential building or other office lease options outside the major business centers, which are currently overcrowded.

## PERSONNEL

Several recruiting companies on the Island provide placement services, and it is easy to find staff through them (usually). There are some difficulties though in obtaining qualified English-speaking personnel because staff with this skill are generally already employed. It is almost impossible to find a qualified English-speaking accountant or engineer. Oil consortia tend to bring some personnel from Moscow, St. Petersburg, and other parts of Russia (or even move personnel from projects in other countries, like Kazakhstan), paying relocation costs. Alongside smaller local recruitment agencies, there are local offices of such well-known placement agencies as Coleman services (Moscow) and Fircroft (opening soon).

## INFRASTRUCTURE CONSIDERATIONS

The city of Yuzhno-Sakhalinsk still suffers from power outages as a result of winter storms, although the situation has improved recently. Nonetheless, a power generator is still one of the essential pieces of equipment to be installed in any separate office buildings; a separate water well usually also exists, despite the fact that local power system is rather reliable and the quality of water, supplied from the city utility system, is normal. Autonomous heating (boiler) for a building is sometimes even cheaper than the municipal supply. It is a common trend to install

boilers for separate facilities, which helps local companies to reduce costs and have better quality of heating. In some city districts, consistent heat supply depends on the state of heating pipelines, which is extremely poor.

Companies usually purchase bottled water for coffeemakers and drinking.

*Communications.* Communications and Internet for the office are usually not a problem. The only minor problem with the Internet lines may be that, compared to the United States, they are slower and more expensive, due to the isolation of the Island (there is no trunk fiber-optic line – the local communications system relies on satellites). Recently, however, the largest local provider Dalsvyaz started to provide DSL services with the speed of 8mb/sec (monthly fee for the DSL is currently about \$140, which includes 2GB of incoming traffic; extra traffic charges are \$0.07 per 1 MB of external traffic and \$0.035 for internal traffic). Internet services are available from several

local providers, and the proposals from them differ in price and types of services – there is a good choice.



*New office facility at Popovich Street, renovated by the private company for its own needs, Yuzhno-Sakhalinsk*

*Office furniture and equipment.* Although some years ago companies often brought furniture from abroad, currently there is no need to search farther than the local market. A wide variety of U.S., South Korean, Japanese, and Chinese imported goods are available in local office furniture stores. The same can be said of office equipment – not so long ago some companies started to provide services of regular maintenance for all the equipment in one single office.

## CONTACT INFORMATION

### *Business Centers*

#### **Sakhincenter – Interoffice**

32, Kommunisticheski Ave  
Yuzhno-Sakhalinsk, Russia 693000  
Tel +7-4242-727016  
Fax +7-4242-727359

#### **JSC Kraft**

154, Lenin Str.  
Yuzhno-Sakhalinsk, Russia 693000  
Tel/ +7-4242-723021  
Fax +7-4242-723827  
Contact: Mr. Vladimir Andreevich Girnik

#### **Sfera Business Center**

78 Chekhov Str.  
Yuzhno-Sakhalinsk, Russia 693000  
Tel/fax +7-4242-468403  
Reception - +7-4242-468400

#### **Michinoku Building**

234, Lenin Str.  
Yuzhno-Sakhalinsk, Russia 693000  
Tel +7-4242-721407  
Fax +7-4242-721402

### *Other*

#### **Yuzhnyj Gorod (Realtor Agency)**

86, Kommunisticheski Ave.  
Yuzhno-Sakhalinsk, Russia 693000  
Tel/fax +7-4242-726123  
Director – Gulay Yuri Viktorovich

#### **ABC Sakhalin**

32, Kommunisticheski Ave., #517A  
Yuzhno-Sakhalinsk, Russia 693009  
Tel/Fax +7-4242-727124/25  
Contact: Tatyana Beloglazova

*Employment Agencies*

**Coleman Services**

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